

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

**Natwar M. Gandhi**  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** October 22, 2002

**SUBJECT:** Fiscal Impact Statement: "Master Business Registration Act of 2002"

**REFERENCE:** Bill Number 14-845

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**Conclusion**

Funds are not sufficient in the proposed FY 2003 through FY 2006 budget and financial plan to pass the Master Business Registration Act of 2002. Increasing the threshold for the Master Business License from \$2,000 to \$20,000 in annual gross receipts will cost the District \$740,460 in FY 2003 and \$1,385,805 between FY 2003 and FY 2006.

**Background**

The Master Business License Registration Act of 2002 would increase the threshold for obtaining a master business license from \$2,000 to \$20,000 in annual gross receipts. The bill would also implement an amnesty program that would expire on Friday, May 30<sup>th</sup>, 2003.

**Financial Plan Impact**

There are 24,684 unincorporated businesses in the District that generate less than \$20,000 in annual gross receipts<sup>1</sup>. The Master Business License costs \$25; endorsements are \$5 and biennial renewal fees cost \$15. Increasing the threshold for the Master Business

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<sup>1</sup> There just over 3,000 non-profit organizations located in the District of Columbia, and an unknown number that actually conduct business in the city. Because non-profit organizations do not pay franchise taxes to the city, the OCFO is unable to determine how many non-profits generate revenue under or over the \$20,000 threshold. If non-profits were included in this estimate, the Act's fiscal impact would increase.

License from \$2,000 to \$20,000 in annual gross receipts will cost the District \$740,460 in FY 2003. Because this act does not increase the cost of the \$15 biennial renewal process, the fiscal impact of this act on later years is more limited. It is estimated that approximately \$215,115, per annum, will be lost after FY 2003 by increasing the threshold.

<b>Estimated Cost of the Master Business Registration Act of 2002</b>					
	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>4-Year Total</b>
Cost of increasing the threshold from \$2,000 to \$20,000	\$740,460	\$215,115	\$215,115	\$215,115	<b>\$1,385,805</b>

The amnesty program does not have a fiscal impact, because it expires within FY 2003.

The Department of Consumer and Regulatory Affairs Fees and Charges Amendment Act of 2002 of the FY 2003 Budget Support Act Amendment Act of 2002 would increase the cost of obtaining a Master Business License from \$25 to \$35, and increase the cost of endorsements from \$5 to \$10. Although it can be argued that the increase in fees could be used to offset the losses from increasing the threshold, the fee was raised to balance the District's FY 2003 budget – not pay for increasing the threshold amount. As a result, if both the Amendment Act and the Registration Act pass, the District would lose \$1,110,690 in FY 2003 and \$1,801,035 between FY 2003 and FY 2006.